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SUBJECT: BMENA CONFERENCE: A/S WAYNE'S MEETING WITH
PAKISTANI MINISTER OF STATE FOR ECONOMIC AFFAIRS KHAR

Classified By: A/DCM CHRIS HENZEL FOR REASONS 1.4 (B) AND (D).

11. (C) SUMMARY: On the margins of the BMENA Trade and Investment Conference in Amman on May 18, Pakistan's Minister of State for Economic Affairs Hina Rabbani Khar told Assistant Secretary E. Anthony Wayne that her government was pleased to be part of the BMENA process and was committed to broad-scale reforms in support of stable macroeconomic growth and fiscal responsibility including through more privatizations. In response to A/S Wayne, she expressed support for the U.S.-Pakistan "shared objectives" approach to review reform efforts in conjunction with the release of ESF monies. She also outlined health and education development goals (more rural focus, moving away from World Bank programs), Pakistan's second UNDP Millennium Development Goals report (better than before), Pakistan's OECD credit rating (not truly reflective), and the U.S. Millennium Challenge Account statistics on Pakistan (outdated). Wayne reminded the Minister of the need to resolve lingering investment disputes such as the Siemens Westinghouse case.
END SUMMARY.

12. (C) Minister Khar was joined by Pakistan's Amman Embassy Counselor Prince Baktar Ali, and also by Minister Counselor for Economics Mushtaq Malik from Pakistan's Embassy in Washington, DC. Accompanying A/S Wayne in the meeting with Khar was Econoff Greg Lawless (notetaker).

Reform Is Key

13. (C) A/S Wayne opened with a brief review of the "shared objectives" exercise and the USG's desire to work with Pakistani counterparts in efforts to reform. The immediate need is to update the objectives or the year ahead Wayne said. He noted that, among other benefits, the U.S. Congress would be more committed to supporting Pakistan if it could see results through this exercise. Khar noted that the process was similar to the annual Pakistan Development Forum and expressed support for the process.

Macroeconomic Picture: An "Investment Opportunity"

14. (C) Turning to Pakistan's macroeconomic framework, Minister Khar said that it was strong, as reflected by the government's commitment to quickly pass the Fiscal Responsibility (and Debt Limitation) Law. The law had passed the lower house of parliament and was pending in the upper house, she noted. Pakistan Telecom was up for bid, she said, noting there had been 6-7 bids to that point. SingTel had expressed keen interest, she said. All in all, the good response had shown that the world saw Pakistan as a good investment opportunity. Karachi Electric Supply Corporation (KESC) was also put on the auction block earlier in the year. Economic Counselor Malik noted KESC was a picked up by a combination of German technology (Siemens) and Saudi money (Kanuz al-Watan). Wayne reminded the Pakistani team of the need to resolve lingering investment disputes, noting in particular the Siemens-Westinghouse case which had now been pending in Pakistan courts for years.

Development: More IDA Soft Loans

15. (C) On the human development side, Pakistan had a variety of infrastructure programs in water, energy, and educational infrastructure, Khar said. Other programs were aimed at governance (devolution) and at health and education sectors. From the policy perspective, Khar said she believed there were discrepancies in the urban/rural mix of programs and in their geographic distribution in Pakistan. Although she believed a World Bank program aimed at enhancing education in the Punjab was successful, both in increasing enrollments and in keeping more girls enrolled in grades 6-8, she said that the GOP was looking at ending its programs with the World Bank because it offered no soft loans. As far as IDA went, Pakistan would look for as much soft lending as possible, she said.

16. (C) The second UNDP Millennium Development Goals (MDG) report (released in February) had shown Pakistan was doing

better than before, she noted. There were some challenges, but basically Pakistan was on track and would meet its next targets. That at least was her government's hope, she said.

One Plan for Channeling Assistance

17. (C) The Pakistan Development Forum review of donors had been useful, she said, in that it had set a goal of having a mechanism for distribution of assistance and the government channeling funding through one plan. She noted that Mr. John Wall of the World Bank (WB Country Director for Pakistan) would be drafting a proposal to be ready at the end of May. A/S Wayne noted that the ESF review would also aim to review a coordinated approach to assistance distribution, starting with the disbursement of up to \$200 million in the near future.

Enthusiasm for BMENA Process

18. (C) Noting that Pakistan had played an active role in the Rabat BMENA conference, Khar indicated enthusiasm for taking a leading role and said that the GOP was committed to supporting programs in entrepreneurship and press freedoms, to name just two. She mentioned plans to build an entrepreneur help center like those being established in Morocco and Bahrain under the BMENA umbrella. In connection with these and other plans, she requested to know more about the USTDA and if it could play a role. A/S Wayne replied that he had written Aziz in support of this enterprise and would need to check to see if a decision had been made.

OECD "Not a True Reflection"; MCA Uses Old Statistics

19. (C) Minister Khar noted that the OECD credit rating for Pakistan was not a true reflection of the country's economic stability. She said that, compared to India and Bangladesh, Pakistan's rating was not reflective of its stronger standing. She asked for the USG view on this issue, and perhaps its assistance. A/S Wayne replied that he would check on this matter, but made no commitments.

10. (C) Khar also noted that the USG's Millennium Challenge Account (MCA) was relying on outdated statistics regarding Pakistan. A/S Wayne advised the minister that Pakistan should be in contact with the MCA Corporation directly and, for example, refer them to more recent World Bank data.

11. (C) COMMENT: Minister Khar, who had received post-graduate education in the U.S., displayed an impressive mastery of her brief. Her presentation conveyed a commitment to reform and dedication to the improvement of the lives of average Pakistanis, especially women and those from rural areas. She should prove to be a strong supporter and useful ally in the BMENA process.

HALE